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14 December 1984

CHINA REPORT

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN, No 11, 10 JUN 84

CONTENTS

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 11, 10 Jun 84

State Council Circular on Circulation of Work Report of Ministry of Agriculture, Animal Husbandry and Fishery, State Planning Commission, Other Departments on Further Development of Investigation	1
Work Report of Ministry of Agriculture, Animal Husbandry and Fishery, State Planning Commission, Ministry of Urban and Rural Construction and Environmental Protection, State Statistics Bureau on Further Development of Investigation of Land Resources (24 March 1984)	2
State Council Circular on Circulation of 'Views of Ministry of Labor and Personnel on Rational Use of Awards in Enterprises' (8 May 1984)	7
Views of Ministry of Labor and Personnel on Rational Use of Awards in Enterprises (8 May 1984)	8
Circular on State Commission for Restructuring Economic System on Circulation of 'Summary of the Minutes of Symposium on Work of Urban Economic System Reform at Experimental Points' (10 May 1984)	11
Summary of Minutes of Symposium on Work of Urban Economic System Reform at Experimental Points (25 April 1984)	12
Detailed Rules on Cost Control in State-Operated Industrial, Transport Enterprises (26 April 1984)	21
Rules of Customs Administration, Ministry of Finance, Ministry of Foreign Economic Relations and Trade on Control, Taxing of Goods Imported, Exported by Chinese-Foreign Joint Ventures (30 April 1984)	38
State Council Approval of Sichuan Provincial People's Government Request To Establish Mabian Yi Nationality Autonomous County, Ebian Yi Nationality Autonomous County (9 April 1984)	40

STATE COUNCIL CIRCULAR ON CIRCULATION OF WORK REPORT OF MINISTRY OF AGRICULTURE,
ANIMAL HUSBANDRY AND FISHERY, STATE PLANNING COMMISSION, OTHER DEPARTMENTS ON
FURTHER DEVELOPMENT OF INVESTIGATION OF LAND RESOURCES (16 MAY 1984)

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 11, 10 Jun 84 p 339

(Guo-fa [0948 4099] 1984 No 70)

[Text] The State Council has agreed with the "Work Report on the Further Development of the Investigation of Land Resources" by the Ministry of Agriculture, Animal Husbandry and Fishery, the State Planning Commission, the Ministry of Forestry, the Ministry of Urban and Rural Construction and Environmental Protection and the State Statistics Bureau and this report is now forwarded to your department for implementation.

Accurate data about population and land are the important foundation for working out planning for the national economy and related policies. The census of the population in China has been completed, but there are no land resource statistics. Consequently, the State Council has decided to further investigate land resources. Various regions and departments concerned are asked to follow the arrangement and requirement of the report and strengthen their leadership over the investigation of land resources so as to do a good job in this aspect.

CSO: 4005/098

WORK REPORT OF MINISTRY OF AGRICULTURE, ANIMAL HUSBANDRY AND FISHERY, STATE PLANNING COMMISSION, MINISTRY OF URBAN AND RURAL CONSTRUCTION AND ENVIRONMENTAL PROTECTION, STATE STATISTICS BUREAU ON FURTHER DEVELOPMENT OF INVESTIGATION OF LAND RESOURCES (24 MARCH 1984)

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 11, 10 Jun 84 pp 339-343

[Text] I.

There have been no records for a long period about the land resources in China. The figure for the cultivated acreage is incorrect and there are no accurate data for grassland, water surface and the land that is used by various construction items. This situation is contradictory to the needs of economic construction in China and therefore it is imperative to further investigate land resources.

No overall investigation of land resources has been carried out in the past 30 years and more since the founding of the PRC. The soil investigation carried out in 1958 was mainly aimed at investigating the acreage of cultivated soil; it did not calculate the acreage of the land. The second soil investigation was carried out across the country in the spring of 1979 on the basis of Guo-fa (1979) Document No 111 issued by the State Council. So far a total of 1,982 counties (banners) have carried out this work, 993 of them having completed it. A total of 83 and 60 percent of the farms (regiments and bureaus) of the agricultural reclamation and forestry systems also have, respectively, completed their soil investigation task. Through this work, the types of soil and their physical and chemical properties and obstruction factors have been investigated thoroughly. This work has provided important data for appraising land, dividing agricultural regions, readjusting agricultural structure and distribution and carrying out scientific farming and breeding.

At the same time, a total of 1,180 counties (banners) have carried out investigation of land utilization. But because of difficult conditions, this work has been basically concentrated on bigger acreage while the utilization of the land by production brigades (villages) or smaller units has not been investigated. Consequently, it is impossible to replace the existing incorrect statistical data about cultivated land. Under this condition, it will be impossible to form land statistics and a registration system with production brigades (villages) as the units; nor will it be possible, under the present implementation of the contracted responsibility system with payment linked to output, to meet the needs of strengthening land management, rationally utilizing land

and promoting production. Land appraising and classifying are yet to be carried out.

In order to carry out detailed investigation of land utilization, the agricultural regions, grazing regions, outskirts and hilly regions across the country selected nine different types of counties (banners and regions) in 1982 to carry out experimental investigation by using detailed maps. A few provinces also have carried out detailed investigation. The results of this work showed that the previous figures for the acreage of cultivated land, grassland and water territories are in general incorrect. In addition, the situation of forestry land resources has also changed in the past few years and therefore it is imperative to conduct an overall investigation on these land resources in a unified and detailed way.

II.

The general requirements for the investigation of land resources this time include investigating in an overall way the types, quantity, quality, distribution and utilization of the land in the country and making scientific appraisals. The investigation must be carried out in two stages. During the first stage, all counties (banners) across the country must carry out and complete the second soil investigation at the county level by the end of 1985, with the exception of a few remote regions. At the same time, measures must be taken on the basis of specific conditions to investigate in general or in detail the situation of land utilization. The purpose of this work is to collect the data that are closer to reality about land utilization across the country. During the second stage, the second soil investigation across the country must be completed in 1990 and in addition to this, various places must also complete the investigation of the utilization of land and land appraisal so as to collect accurate data on various types of land.

Provincial, autonomous regional and municipal people's governments must work out their own definite plans on the basis of the general speed of the investigation across the country. Detailed investigation must be carried out on the basis of counties. This investigation must also be carried out under the unified leadership of county people's governments that will be responsible for organizing strength with specialized ranks as the backbones. This work must also be carried out by mainly relying on aerial remote sensing technology. Both the investigation and checking and approving must strictly be carried out on the basis of national and unified technological rules and regulations. The investigation of the land resources of state farms, forests, grazing land and fishing grounds (including those managed by the army, overseas Chinese and judicial departments) must be carried out under the leadership of local governments, with unified arrangement and being carried out by various departments concerned. This work must be completed in due time.

The detailed investigation of land utilization and general soil investigation must be carried out coordinately and with unified and proper arrangement. The existing results of soil general investigation must be fully utilized so as to avoid repetitious work and waste. When conditions permit, manpower, material power and financial power must be used in both land investigation and soil

investigation. The detailed investigation must meet the following requirements:

- A. Investigate the land acreage of production brigades (villages) and other basic units such as the production teams (subfarms) of agriculture, forestry, animal husbandry and fishing grounds and form land statistics system.
- B. Meet the needs of people's communes and production teams and state farms, forestry, animal husbandry and fishing grounds in working out their plans for land utilization, organizing the production of agriculture, forestry, animal husbandry, sideline production, fishery production and carrying out scientific farming and breeding.
- C. Meet the needs in working out national economic plans and agricultural regional division and plans.
- D. Meet the needs of land registration with production brigades (villages) and agriculture, forestry, animal husbandry and fishing grounds as the units, the formation of land records and overall land management.

III.

In order to fulfill the above-mentioned tasks, the following measures must be taken:

A. Strengthen leadership and do a good job of coordination. The national investigation of land resources is under the leadership of the National Committee of Agricultural Planning. The concrete work of the investigation is carried out by the Ministry of Agriculture, Animal Husbandry and Fishery in close coordination with forestry, water conservancy, construction, survey and drawing and statistics departments. A Land Resources Specialized Team has been formed under the National Committee of Agricultural Planning. The original National Soil General Investigation Office will be changed into the Land Resources Investigation Office under the Ministry of Agriculture, Animal Husbandry and Fishery. This organizational work must be unifiedly led and arranged by provincial, autonomous regional and municipal people's governments. The governments that have established land management organs must let these organs be responsible for this work; those that have not formed such organs must let agricultural division departments be responsible for this work.

B. Perfect and develop land resources investigation organs and step up technological training. The investigation of land resources is protracted. It is a heavy task with high technological requirements. But the foundation of this work is weak and the ranks of the technicians are also far from meeting needs. Therefore this work has to be improved. Regional (municipal) and county soil fertility stations are not only responsible for improving soil fertility; they must also be responsible for the investigation of land resources and do a good job of such aspects as land statistics and registration, supervision and survey of the trends of land resources and planning for land utilization.

The labor protection, welfare and work subsidies for land surveying staff who are carrying out fieldwork must be carried out on the basis of the rules and regulations of the similar geological works.

C. Stipulations: 1. Inaccuracies in statistics of land acreage prepared in the past must be reported to higher departments. No organizations or individuals are allowed to withhold or refuse to report investigation data and information, make false reports or arbitrarily amend the data and information and those who have done so will be held responsible. Land investigation units must also be responsible for the accuracy of the data they provide. 2. In the future, the appraisal of advanced units and individuals must be carried out in an overall way. The appraisal must be mainly based on the gross output value and its contribution to the state, and not mainly on the yield per unit area. 3. Land management organizations must be responsible for the management of the information on the investigation of land resources. Such information must be reported to higher departments and copies must be sent to the statistics departments of the same level. Investigation data that have been checked and are up to requirements can be forwarded to planning and production departments for their use. Information not approved by the governments of higher level cannot be quoted or published. 4. Following the completion of detailed investigation, it is necessary to follow the third stipulation of the "Law of Statistics of the People's Republic of China" and report to higher departments on the basis of the statistics system the information on land used in construction and the utilization data of cultivated, forest, grassland and water surface.

D. Strengthen mapping work and insure the supply of base maps. The State Survey and Drawing Bureau must be responsible for providing detailed topographic maps for detailed investigation of the situation of land utilization. It must also be responsible for coordinating the production capacity of various specialized survey and drawing departments so as to speed up the production of the maps. Maps for agricultural regions with a 1/10,000 scale that can be provided by survey and drawing departments now only cover 1.2 million sq km, with a shortage of 2 million sq km. The 1/25,000 scale maps covering 1.75 million sq km that are needed for key forestry regions are basically not available. A total of 70 percent of the 1/50,000 and 1/100,000 scale maps that cover 4.6 million sq km that are needed for grasslands have to be updated. In order to be able to provide these maps, it is imperative to spare no efforts in carrying out aerial photographic work, increase such equipment as right-angle projection apparatus and step up the production of the plane figures of aeronautical photos or photographic topographic maps.

In order to be able to provide detailed aerial photographic maps and topographic maps by stages and in batches before 1990, it is imperative for central financial departments to provide the State Survey and Drawing Bureau with more funds for aerial photography and surveying and drawing during the Sixth and Seventh 5-Year Plans each year. It is also necessary to add certain funds for the capital construction of the equipment every year during the Seventh 5-Year Plan. Local financial departments must also allocate more capital construction funds and other funds for the provincial, autonomous regional and municipal survey and drawing bureaus (departments) on the basis of the tasks of these units.

E. Funds for the investigation of land utilization must be made available. Such funds are mainly used for technological training, purchasing the necessary meters and instruments, equipment and materials for surveying and drawing, printing materials and subsidies for working staff. Such funds are to be jointly provided by central, provincial, municipal and county financial departments. It is suggested that these funds be included in the special expenses for the investigation of agricultural natural resources, beginning in 1984. It is also necessary for central financial departments to arrange the necessary subsidies annually during the Sixth and Seventh 5-Year Plans. Central subsidies must include the subsidies for the investigation of land utilization in state farms, forests, grasslands and fishing grounds.

F. Work out investigation plans, unify technological rules and regulations and strictly implement the system of checking and approving and reporting to higher levels. In order to guarantee the quality of the investigation of land resources and gather the results of the investigation from various levels, it is imperative to strictly follow the national unified investigation plan (including the general requirements and working organizations of the investigation) and technological rules and regulations in carrying out the investigation, coupled with checking and approving and reporting to higher departments. The technological rules and regulations for the investigation of land resources and the draft for the classification of land utilization that were printed and issued by the Land Resources Specialized Team under the National Committee of Agricultural Planning in 1981 will be formally promulgated and implemented after further amendment. The Ministry of Agriculture, Animal Husbandry and Fishery will be responsible for working out an outline for the technological rules and regulations that accord with the specific conditions of China will be drafted as early as possible on the basis of experiments and checking.

G. Do a good job of following up so that the land can be managed and used well. The quantity, quality, distribution and utilization and the situation in the use of the land often change. In order to maintain the truthfulness of the information, it is imperative to form land statistics and registration system, do a good job of land records, supervise and survey the trends of land resources, record land utilization and changes of soil fertility in due time and regularly update the information on land investigation so as to meet the needs of various departments concerned. Therefore, the investigation of land resources must be carried out in coordination with the formation of land statistics and a registration system. And this work must be closely linked with other followup work so that land information can be managed and used well.

Please approve and forward the above report to provincial, autonomous regional and municipal people's governments and the related departments and commissions under the State Council for study and implementation if there is nothing inappropriate in it.

CSO: 4005/098

STATE COUNCIL CIRCULAR ON CIRCULATION OF 'VIEWS OF MINISTRY OF LABOR AND
PERSONNEL ON RATIONAL USE OF AWARDS IN ENTERPRISES' (8 May 1984)

(Guo-ban-fa [0948 6586 4099] 1984 No 35)

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 11, 10 Jun 84 p 343

[Text] The State Council has approved the Ministry of Labor and Personnel's
"Views on the Rational Use of Awards in Enterprises" and this is now circu-
lated to you for your reference in implementing document Guo-fa 1984 No 55.
("State Council Circular on Relevant Questions Concerning the Bonuses Issued
by State Enterprises" (Guo-fa 1984 No 55, published in STATE COUNCIL BULLETIN
No 8, 1984).

CSO: 4005/098

VIEWS OF MINISTRY OF LABOR AND PERSONNEL ON RATIONAL USE OF AWARDS IN ENTERPRISES (8 May 1984)

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 11, 10 Jun 84 pp 343-345

[Text] The "State Council Circular on Relevant Questions Concerning the Bonuses Issued by State Enterprises" stipulates that: "The enterprise enjoy a decisionmaking right concerning the use of bonuses. As far as the total amount of wages (including bonuses) from now on. The form of using the bonus inside the enterprises is to be decided by the enterprises themselves in accordance with the actual situation." In accordance with the above stipulation and in order that there be better and more flexible use of the funds for bonus and a rational distribution, the following views are put forward for reference in the course of implementation.

A. While making use of the bonus funds, the enterprises should closely connect the spirit of carrying out reforms with the implementation of the economic responsibility systems so that the obligations, rights and interests of the workers will be linked up. It is necessary to implement the principle of remuneration according to labor, materialize the principle of more rewards for more work and less for less work; it is necessary to encourage the advanced workers, award the diligent and punish the indolent, overcome egalitarianism and put an end to the practice of eating from the same big pot of rice in order to better improve the quality of the enterprises and improve the economic returns.

B. The enterprises have the right to decide on the use of the bonus funds in accordance with the characteristics of production and the needs for improving the economic returns. The bonus funds can be used in the following areas:

1. Issuance of bonuses. The form of issuing bonuses can proceed from the actual demands of the enterprises and bonuses can be given in accordance with workpoints merited on completion of the production quotas; bonuses can also be linked with production quantity or quality. Bonuses can also be given independently or to workers who have made extra contributions.

2. Implementation of the system of floating wages. The enterprises may combine the bonus funds with a portion of or the whole of the basic wages to implement the system of floating wages.

3. Implementation of a wage system based on piecework. Enterprises which have saturated production tasks, a better management system and an overall advanced labor rate may, in accordance with the actual needs, implement a wage system based on piecework which may be calculated in accordance either with the collective or individual pieces of work done. The enterprises may even implement the system of contracted responsibilities. In the course of implementing the system of wage based on piecework, the enterprises should set up a system of regularly revising the labor rate. There should not be a wage "ceiling" for pieces of work done in excess of quotas.

4. Implementation of the system of floating promotion at the expense of the enterprises. The enterprises can fix the promotion zone and promotion methods in accordance with the commitment of the bonus funds and in connection with the specific situation of the enterprises themselves. The annual promotion rate can range from several to around 20 percent. The promotion of workers must be assessed by several criteria, such as performance of work, the technical standard and the extent of their contributions.

5. Implementation of the system of post allowance. In accordance with production and the demands of work, the enterprises may implement an internal post allowance system with regard to personnel who perform heavy labor and work under poor working conditions and personnel who have a high technical standard and shoulder great responsibilities in key equipment and key posts and have passed all tests required.

6. Adoption of the kind of wage system that suits the characteristics of the local units. The enterprises may, in accordance with their local production and work characteristics, implement the graded wage system, post wage system or the deducted wage system among the workers, or it may implement the system of linking wage with duties among the cadres. A few units which have favorable conditions may trial implement the system of "wage disintegration" among the workers and cadres, that is to say, disintegrate the wage into several parts such as basic wage, wage for duties, wage for annual contributions and active wage in order to give play to the roles of the various kinds of wage.

While setting up or readjusting the wage standards, enterprises must proceed from the level of existing wage standard and the situation of the bonus funds of the enterprises themselves; it is necessary to review the past and look into the future, leave reasonable margin and refrain from giving an unreasonably big increase at one time. In order to take into consideration the reasonable deviation of the wage standard of various trades, we can draw references from the level of the standard of wages appended to the "'Draft' of the Proposal of Wage Reform" published by the Ministry of Labor and Personnel on 12 April 1983. The people's governments and departments in charge of the State Council of the various provinces, autonomous regions and cities directly under the central government are requested to fix the specific wage standard. The newly established or the readjusted wage standard will temporarily be regarded as the internal wage standard of the enterprises.

Certain conditions are a prerequisite for enterprises in order to implement the system of duty wage (or duty allowance) among the cadres. It is necessary, first of all, to rectify the organization, readjust the leadership groups, strictly formulate the establishment, set up the post responsibility system and a strict assessment system.

C. The enterprises are to be responsible for the amount of money drawn from the bonus funds and used on the above wage reforms and awards, and such expenses should not be included in production cost. It is necessary to submit taxation for bonus in accordance with the regulations when the total amount of wage bonus used exceeds the standard wage of 2½ months (except for those which are tax-free). Later on, subsequent to the state's planned index of wage increase, the enterprises can accordingly reduce the part to be covered at their own expenses, gradually including them in the total wage and production cost. When workers are transferred away from enterprises, all kinds of wage, bonus and allowance paid from the bonus funds of the enterprises, except for the state recognized wage, will become invalid.

The enterprises are to handle at their own discretion the wages of workers who have been transferred to their units from another unit and the wages of workers who have just had an internal transfer inside the same enterprise.

CSO: 4005/098

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CIRCULAR ON STATE COMMISSION FOR RESTRUCTURING ECONOMIC SYSTEM ON CIRCULATION
OF 'SUMMARY OF THE MINUTES OF SYMPOSIUM ON WORK OF URBAN ECONOMIC SYSTEM
REFORM AT EXPERIMENTAL POINTS' (10 May 1984)

(Ti-gai shi-zi [7555 2395 6107 1316] 1984 No 17)

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 11, 10 Jun 84 p 345

[Text] With the approval of Comrade Ziyang, we now print and issue to you the
"Summary of the Minutes of the Symposium on the Work of Urban Economic System
Reform at Experimental Points," and request you to implement it on trial. We
hope that you will promptly inform us of any situation and problems that you
encounter during trial implementation.

CSO: 4005/098

SUMMARY OF MINUTES OF SYMPOSIUM ON WORK OF URBAN ECONOMIC SYSTEM REFORM AT
EXPERIMENTAL POINTS (25 April 1984)

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 11, 10 Jun 84 pp 346-352

[Text] From 16-24 April 1984, the State Commission for Restructuring the Economic System held a symposium at Changzhou City, Jiangsu Province, on the work of urban economic system reform at experimental points. Attending the symposium were the responsible persons of 25 cities and the relevant provincial offices of economic system reform and the comrades of the relevant ministries and commissions of the State Council. The symposium relayed and studied the spirit of the recent instructions of central leading comrades on urban reform, exchanged experiences in carrying out pilot projects of the reform and focused on discussing the issues of invigorating our enterprises, vitalizing circulation and creating a new situation in our urban reforms. All the comrades who participated in the symposium unanimously held that through this symposium they had further improved their understanding concerning urban economic system reform, become clear about its orientation and strengthened their confidence.

I. Speed Up the Pace of the Pilot Projects of Urban Economic Structural Reform

Since the 3d Plenary Session of the 11th CPC Central Committee, our country's urban economic system reform has started from expanding the decisionmaking power of our enterprises and gradually developed in width and depth. For 5 years, we have made a heartening beginning in developing diverse forms of economy and diverse methods of management, expanding the decisionmaking power of our enterprises, reorganizing and merging our enterprises, vitalizing commodity circulation in our urban and rural areas and carrying out pilot projects of the new system of cities administering counties. This has played a positive role in developing our entire national economy.

During the past 2 years, with the approval of the State Council, we have carried out pilot projects of integrated economic structural reform in Shashi, Changzhou and Chongqing. We have already achieved initial results by trying. Practice has proved that satisfactorily carrying out pilot projects of integrated urban reform is of great significance. It will play a great role in promoting the progress of science and technology and in promoting the useful exploration into the way to build a socialist economic system with distinctive Chinese features. At this symposium, the three pilot project cities

briefed the participants on their experience in carrying out integrated reforms and quite a few other cities also briefed the participants on their reforms. For example, Chongqing's experience in setting up trade centers and vitalizing circulation; Changzhou's experience in reforming the system of circulation of materials and goods, closely combining production, scientific research and education and inviting tenders for all-round responsibility construction contracts; Shashi's experience in reorganizing and merging enterprises and organizing and establishing companies of an enterprise nature; the experience of Yanqiao Township in Wuxi County in implementing "one all-round responsibility system and three reforms"; Shenyang's experiences in vitalizing collective enterprises, Dandong's experience in making "economic responsibility deeds" for enterprises and the experience of some cities in Guangdong Province in reforming the distribution system of their enterprises. The comrades who participated in the symposium were greatly enlightened and expressed their desire to conscientiously learn from and popularize these experiences in the light of their local conditions.

However, they all found that the speed of development of urban reform had not been quick enough and the development in various areas had been uneven and could not meet the needs of the new situation. At present, rural reform is developing quickly and vigorously. Commodity production and exchange in our urban and rural areas have been developing rapidly. The basic-level enterprises in all trades have put forth the demand for "relaxing restriction" in order to give full play to their vitality. The open-door policy will be further carried out in 14 coastal cities. The contradiction between the new technological reform and the old system has sharpened day by day. In the face of this situation, all the comrades who took part in the symposium had a strong sense of urgency and were determined to further "emancipate minds, seek truth from facts, make continuous exploration and work soundly" in order to push the urban economic system reform forward onto a new stage.

In order to make a strategic breakthrough in our urban economic system reform, we must speed up the pace of the pilot projects. We should resolutely implement the policy of opening up to the external world and vitalizing the economy at home, focus, to the greatest extent, on giving play to the initiative of enterprises and laborers and focus on breaking various kinds of separation and blockade and establishing a unified socialist market. At present, the cities where pilot projects are being carried out should regard as key the invigorating of their enterprises and the vitalizing of their circulation and thus bring along reforms in other fields.

The symposium held: in order to satisfactorily carry out pilot projects of urban reform, we should correspondingly expand decisionmaking power and responsibility of the cities where the pilot projects are being carried out. The relevant central departments and provinces should transfer downward some power, rights and responsibility to these cities and enthusiastically help the cities to break the boundary between departments and areas and organize economic activities in a unified manner. Our cities should also obey the guidance of the policies and plans of the state and fulfill the tasks that the upper-level departments have assigned them. The cities where pilot projects are being carried out can first make experiments to carry out the tentative

ideas and initial plans of reform that have been put forward by the state. They should also bravely explore the way of reforms in the light of their actual conditions. Our cities should not stick to the old methods in managing their economy and should not become new "areas." We should streamline our administration and transfer power downward. We should actually transfer to our enterprises the power that should be transferred to them, use economic methods to administer economy and thus turn our cities into centers of production, circulation, finance, science and technology, culture, education and information. With our cities as the bases, we will gradually set up open economic zones and economic networks of different scale and level of development.

II. Streamline Administration, Transfer Power Downward and Vitalize our Enterprises

Envigorating our enterprises and achieving the aim of tapping the tremendously great potential of our enterprises is the foundation for strengthening the economic force of our cities and giving play to their role as economic centers and is a task of first priority in our current urban economic system reform.

The participants of the symposium strongly complained about the lack of power in our enterprises, the many organizations that "meddle" with our enterprises' affairs and the heavy burdens on our enterprises. They held that different types of enterprises should enjoy different decisionmaking power and that the state-run enterprises in the cities where pilot projects of reform are being carried out, should enjoy the following decisionmaking power:

The decisionmaking power to draw up production plans. Under the preconditions of guaranteeing the fulfillment of state plans, they are allowed to arrange the production of other products that are needed by the society, adopt new technology and develop new products. They will also have the power to revise the tasks of the production plan that are unmarketable.

The decisionmaking power of sales and purchases. Our enterprises should be empowered to freely select and purchase the materials and goods they need. Under the precondition of fulfilling the state tasks of purchases and allocation of products and carrying out supply contracts, they are allowed to market some of their products on their own through sales agents and through setting up retail centers.

The power to use their funds. The enterprises should have the power to use independently the funds at their disposal, including the power to invest in other units. They should be empowered to sell and rent their idle fixed assets and treat the income therefrom as a part of their production development funds.

They should have power related to labor and wage management. In accordance with the regulations of the state, our enterprises should be empowered to independently choose the methods to employ their staff and workers and should vigorously make experiments in employing personnel by contracts. They should have the power to select better candidates to employ, and to punish, award

and dismiss their staff and workers. Within the scope of the total amount of wages approved by the state, the enterprises can independently choose the methods of wage payment and are empowered to readjust the wages of some of the staff and workers. They should pay bonuses in accordance with the State Council's "Circular on Relevant Questions Concerning Bonuses Issued by State Enterprises" (published in STATE COUNCIL BULLETIN No 8, 1984).

They should have the power to appoint and dismiss cadres. The enterprises may independently decide the internal structure of their organizations and the size of labor force there. They may break the boundary of areas, departments and ownership and recruit scientific, technological, managerial and administrative personnel from the society and fix their remuneration. The directors (managers) of large and medium state-run enterprises are appointed by the responsible departments at the upper level, but other administrative cadres at top management level should be nominated by the directors (managers) and report to responsible departments for approval while the medium-level administrative cadres should be appointed and dismissed by the directors (managers). The directors (managers) of small state-run enterprises should be appointed through election or recruitment.

We should further decontrol and invigorate collective enterprises and small state-run enterprises. Collective enterprises should be actually run in accordance with their collective ownership. They should operate independently and shoulder sole responsibility for their profits and losses. Diverse forms of wage payments are allowed and these enterprises are allowed to turn all the wages into floating wages and to fix no ceiling or lower limit for their wage payment. They can allow their staff and workers to invest in the enterprises by subscribing to their shares and pay dividends to these shareholders at yearend. Some of the small state-run enterprises can adopt the management methods of collective enterprises, pay eight-grade progressive taxes for their extraquota profits, and be solely responsible for their profits and losses. The management of others of these enterprises can be assigned to collectives by contracts or be rented to individuals.

After our state-run enterprises are granted decisionmaking power, they should pay close attention to and perfect their internal economic responsibility system, solve the problems of failure to clearly define job responsibility, of separation between power and responsibility, of delay in making policy decisions and of low efficiency, and conscientiously improve their quality. This year, experiments of the director (manager) responsibility system have to be made all over Dalian and Changzhou cities. The experiments should also be made in some selected enterprises in other cities where pilot projects of reform are being carried out.

Integrated reform can first be carried out in the construction industry. We should change the old method of assigning construction tasks by administrative means and implement the system of inviting tenders for construction contracts. We should reform the labor and personnel system in our construction industry, establish a democratic personnel system and allow people to move from enterprise to enterprise. In the field of the distribution related to wage and bonus payment, we can popularize the method of assigning by contracts the

responsibility for ratio of labor cost to output value. At the same time, we can make experiments in establishing the companies that undertake all-round responsibility contracts for construction projects and in establishing integrated development companies. These companies will be specialized in undertaking construction contracts.

The symposium required that the cities where pilot projects were being carried out, had to conscientiously and satisfactorily do the work related to the preparation for and the implementation of the second phase of "substituting tax payment for profit delivery," and thus further perfect the relations between the state and enterprises. We should respect and protect the legitimate power and interests of our enterprises. No department has the power to equalize the labor, financial and material resources of our enterprises. We should vigorously develop economic combines of diversified flexible forms and under the guidance of the plans of the trade sectors and in accordance with the principle of economic rationalization, voluntary participation and mutual interests, and thus gradually achieve the rationalization of the organizational structure of our enterprises. However, we should not blindly insist on the unification of production, supply and marketing or on the unified management of labor, financial and material resources. The enterprises should be empowered to take part in or get out of the economic combines in their own cities or in other areas. Our cities should do a good job of socializing production and livelihood services and the labor insurance of collective enterprises. They should also make experiments in socializing the labor insurance of our state-run enterprises. By so doing, they will create the necessary conditions for reducing the social burdens of our enterprises and for vitalizing our enterprises.

III. Open Up the Market and Vitalize Circulation

Vitalizing circulation is an important precondition for promoting the development of production and giving play to the role of central cities. At present, we should start from establishing trade centers and focus on satisfactorily grasping the reform in our commercial wholesale system.

As a principle, second-grade commercial stations should be transferred down to cities. These stations should be merged or be operated in combination with existing wholesale firms in the cities. At the same time, we should establish trading centers and trading warehouses of various types and scales for industrial or agricultural and sideline products or for both kinds of products. Our trade centers should be open to all people and should break existing boundaries of grades, areas and trades. All units, inside or outside the city and owned by the whole people, collectives or individuals, are allowed to do business in these centers. The methods of transaction should be flexible and diversified and these units can act as agents of purchases, sales, storage and transport and they can do business jointly or separately. They can do both spot and future transactions and both wholesale and retail business. Different discount rates can be allowed for different quantities of sales and different prices can be allowed for goods of different quality. Our urban materials and goods departments should also establish means of production trade centers and integrated markets and shops of materials and goods.

While satisfactorily running the trade centers, we should continue to develop diverse forms of industrial and commercial combines, agricultural and commercial combines and agricultural, industrial and commercial combines. We should conscientiously develop collective and individual commerce, increase the number of the commercial firms and the variety of service.

The cities should "open their gates widely," welcome the industrial and commercial enterprises from other cities inside and outside the provinces to do business in the cities and encourage the peasants in its suburban areas and counties to set up shops and act as peddlars to directly sell agricultural and sideline products and industrial goods and provide various kinds of service.

The cities should provide trade centers and agricultural trade fairs with sites and facilities of warehouses, transport and livelihood services. They should make this a part of their general construction plans. The urban industrial and commerce administrative, taxation, prices and banking departments should provide convenience for various kinds of transactions. At the same time, they should strengthen their supervision and administration and protect the interests of the state and consumers.

IV. Explore New Planning and Management Systems for Our Cities

In order to invigorate our enterprises, vitalize circulation and give play to the role of our cities in organizing economy, we must carry out reforms in our planning and management systems.

The symposium held that in the cities where pilot projects of reform are being carried out, except for a small number of large backbone enterprises which should remain under the administration of relevant central departments, other central and provincial enterprises should be transferred down to the cities for unified administration. This is a precondition for the reform in the planning and management systems in our cities.

The symposium proposed that the relevant provinces should appropriately relax the power of examination and approval concerning projects of capital construction, technological transformation and introduction of foreign technology in the cities where pilot reform projects are being carried out.

In order to solve the problem of many departments "meddling" with the plans of enterprises, we should consider the method that in the future, all the planned tasks fixed by various provincial departments and bureaus will be issued to the cities and the city planning committees will strike a balance between these tasks and coordinate them and then issue them to the enterprises through a single channel. The participants have also proposed that the past practice of various central and provincial departments separately allocating materials and goods controlled by plans to enterprises should also be changed. According to the experiences of Changzhou, Shashi and other cities, the important materials and goods that the various departments allocated to the lower-level units can be allocated to the material departments in the cities, which will evenly organize the supply of these materials and goods in the light of the needs of the enterprises in fulfilling the tasks assigned by state plans.

This will facilitate readjusting the shortage and surplus inside and outside the cities, reducing the stock in our storerooms and speeding up the circulation of our materials, goods and funds. As for the methods of supply of materials and goods, the enterprises are allowed to choose between the method of getting the supply directly from the suppliers fixed by the upper-level organizations and the method of getting the supply from the materials and goods enterprises in their cities which will serve as materials and goods transfer centers. For construction enterprises assigned, by contracts, quotas of consumption of labor and materials, the materials and goods allocation quotas should be transferred to them by the units where the construction is carried out. The construction units will then order these goods and materials from local materials and goods departments. The various ministries and commissions of the central authorities and the various provincial departments and bureaus should respectively allocate funds for renewal and technological transformation. Under the condition of refraining from changing the power of ownership, we can make experiments of putting these funds in city authorities and allowing them to control in a unified manner the spending of these funds and rationally readjust the spending of these funds through banks.

We should include the construction of fundamental urban facilities in the economic and social development plans of our cities, allocate an appropriate percentage to it in our plans of fixed assets investment and thus coordinate our urban construction with economic development.

In order to improve and strengthen the management of the economic plans in our cities, we should give these cities the indispensable power to use means of economic readjustment. Under the preconditions of maintaining basic price stability in the market, these cities are allowed to choose some products that do not affect the state plans and the people's standard of living and increase or decrease their prices in accordance with the demand for them resulting from the development of production and in the light of the change in supply and demand in the market. This year, the prices of all small commodities will be decontrolled. The prices of important means of production should be controlled and readjusted in accordance with the unified regulations of the central authorities. As for the pricing of other means of production and of ordinary industrial products of daily use, the city price departments and the industrial and commercial sectors will consult with one another and thus put forth concrete methods of management to fix the prices and allow the prices to float within a fixed range. Under the administration and supervision of the city price departments, the industrial and commercial enterprises are allowed to fix different prices for different quality and variety of products, for different areas, particularly for urban and rural areas, and for different seasons and different quantities of orders.

We should reform the credit system of our banks. We should expand the scope of floating interest rates and the difference in interest rates in the light of the development policies of trades, the results of the enterprises in employing funds and the degree of marketability of products. Our banks should provide preferential loans for important projects of technological transformation and for the development of new products. They should provide discounting service and loans at low interest rates for units that produce

products of fine quality and well-known brands. They can also develop various kinds of business such as providing buyer and seller credit, discounting bills and providing mortgage loans. In order to promote economic combination and widely open up resources of funds, through approval, we can select a few enterprises to carry out experiments in issuing transdepartment and transarea shares and debentures. Our banks should satisfactorily act as agents of the issue. In these cities, the banks of various special lines should be able to make up their shortage of funds by one another's surplus.

V. Perfect the New System of Cities Leading Counties

In the cities where the new system of cities leading counties has been implemented, after the basic completion of the administrative structural reform and the change of administrative boundaries, we should speed up the economic system reform and make efforts to probe into and perfect this kind of new system.

First, these cities should draw up plans for the harmonized development of their urban and rural economies, science and technology, and other undertakings. According to the demand of socialized mass production, they should gradually set up networks of production, circulation, science and technology, banking, information, communications, and post and telecommunications that link and open to both urban and rural areas and thus develop a new layout of integrated development of their urban and rural economies.

Our cities should develop their own strong points and enable their industry and agriculture to promote each other and develop in harmony. They should apply the successful experiences of rural reforms to urban reforms. Our cities should give play to their technological and economic advantages, help rural areas to develop intellectual resources and support the development of various undertakings in the rural areas.

We must strengthen the construction of our small cities and towns and give better play to the linking role of our small cities and towns. Our cities must transfer in a planned manner some production of intensive labor to the small cities and towns and must give them technical guidance and helps. We should adopt various kinds of preferential methods to encourage the scientific and technical workers and the administrative cadres in our cities to move to work in small cities and towns while retaining their residence registration in the original cities. In addition to doing a good job of the planning and construction of the county towns, the various cities where pilot projects are being carried out focus on doing a good job of constructing one to two of market fair towns and must pay attention to achieving success as soon as possible and sum up and popularize their experiences.

The comrades who participate in the symposium put forth the idea that in order to meet the new situation, the leading groups in our cities and counties must change their guiding ideology and work methods and must learn how to plan, prepare and organize in a unified manner their economic activities from the lofty point of view of the union between the urban and rural areas and union between workers and peasants. The relevant department and the cities where

pilot projects are being carried out must conscientiously study and actively probe into the methods to solve new problems which emerge after the cities exercise their leadership over the counties, such as the problems related to the cities' and counties' financial system and industrial management system and the source of funds for construction in small cities and towns.

VI. We Should Find Another Group of Cities To Make Pilot Reform Projects in Them

The symposium proposed that except for the pilot project cities which are already fixed by the State Council, all the provinces and autonomous regions which have favorable conditions may themselves select one or two medium-sized cities to conduct pilot reform projects there. Recently, some provinces have already fixed one after another, some medium-sized cities to be their own provincial sites of pilot reform projects in their economic system. These cities are: Dandong City, Liaoning Province; Mudanjiang City, Heilongjiang Province; Hengyang City, Hunan Province; Anyang City, Henan Province; Bengbu City, Anhui Province; and Foshan and Jiangmen Cities, Guangdong Province. The reform work in all the pilot project cities is all carried out under the leadership of the provinces. The symposium hopes that the party committee of the relevant departments of the CPC Central Committee will give them enthusiastic support and help, and regard these cities as the "experimental sites" of reforms in their economic system.

The comrades who attend the symposium have unanimously expressed their ideas that the pilot cities should be regarded as our reform forerunners and that it is imperative to strengthen the party's leadership, to do a good job of our ideological and political work, to unify and heighten various kinds of understandings, to be brave in overcoming the idea of sticking to old ways and the traditional concepts and to enthusiastically support aspiration of our cadres and masses in blazing new trails, to proceed from reality, meticulously study the new conditions and new problems which emerge in our reforms, and make great efforts to achieve the goal of making our orientation correct, our determination great, our way smooth and our results good.

CSO: 4005/098

DETAILED RULES ON COST CONTROL IN STATE-OPERATED INDUSTRIAL, TRANSPORT ENTERPRISES (26 April 1984)

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[Text] Article 1. These detailed rules have been drawn up in accordance with the "regulations on cost control in state-operated enterprises" (hereafter referred to as the cost regulations) promulgated by the State Council.

On the Scope of Implementation

Article 2. The scope of implementation of these detailed regulations includes the following industrial and transport enterprises which carry out independent economic budgeting:

1. industrial enterprises at all levels which come under the jurisdiction of the competent authorities;
2. transport, post and telecommunications enterprises which come under the jurisdiction of the competent ministry, including railways, roads, tunnels, air transport, sea transport, inland waterway transport, ports and loading and unloading;
3. all industrial and transport enterprises which do not come under the jurisdiction of the industry and transport ministries;
4. those industrial and transport enterprises (excluding a small number of pilot factories) which are administrative units or enterprises which are under the jurisdiction of the armed forces but which carry out business activities with the outside and which have registered as businesses and carry out independent economic accounting;
5. those industrial and transport enterprises owned by the whole people or jointly run by units and collective economic organizations.

Article 3. The scope of implementation of the cost regulations and these detailed regulations with regard to collectively owned urban industrial and transport enterprises shall be decided upon by the people's governments of each province, autonomous region or municipality according to specific conditions.

On the Scope of Cost Expenditure

Article 4. All the material consumption referred to in Section 1 of Article 7 and Section 1 of Article 8 of the cost regulations, apart from odd pieces of machinery material, is limited only to the actual amount of goods and materials consumed during the period of the budget, and does not include the amount ordered but not yet used by workshops, working groups or other units.

Article 5. The raw materials ruled as being part of the costs in Section 1 of Article 7 of the cost regulations refers to those raw materials which are component parts of commodities; the auxiliary materials refer to those which do not make up part of the finished product but which assist in its formation. Any of those left over bits of material, waste products, packaging materials and so on which are retrieved by enterprises and which have some use value should be estimated as part of the account and be removed from cost expenses.

Article 6. In the case of shortages and wear-and-tear occurring during the process of production in industrial and transport enterprises, that part which comes under a fixed rate of loss should be counted as costs according to the actual amount of loss; that portion which exceeds the fixed proportion of goods damaged should be investigated, responsibility apportioned and, with the authorization of the competent department, the net loss counted as part of the costs once the person directly responsible has paid a part of it in compensation. The fixed rate of damage shall be fixed by the competent enterprise department, and a report made to the financial organ at the same level.

Article 7. The low-value, quickly consumed goods counted as part of the costs as set out in Section 1 of Article 7 of the cost regulations refer to the means of labor used within 1 year or which are under a certain unit value (fixed by different enterprises at 200 yuan, 500 yuan, or 800 yuan). Specific methods will be found through discussion between the competent enterprise authority and its appropriate financial department after the former draws up a list of low-value quickly consumed goods and fixed assets.

Article 8. The depreciation charges counted as part of the costs in Section 2 of Article 7 of the cost regulations refer to the charges used to make up for losses in fixed asset value according to the regulations. Funds for technological transformation drawn according to quantity refer to special funds drawn by excavation and felling enterprises specially authorized by the state according to actual output and the criteria drawn up by the financial department to be used on renewal and technological transformation of fixed assets.

Article 9. Those fixed asset leasing charges permitted as part of the costs in Section 2 of Article 7 of the cost regulations refer to those leasing charges which should be paid out of the costs of enterprises according to the state regulations on leasing.

Article 10. The charges for repair of fixed assets which are designated as part of the costs in Section 2 of Article 7 of the cost regulations include both large, medium and small repair costs. Big repair charges may be drawn on a monthly basis according to ratios drawn up by the enterprise department

concerned and the appropriate financial organ, and counted as part of the costs for each month; small and medium repair charges, meanwhile, may be counted as part of the costs on case-by-case basis as they occur.

Article 11. The costs incurred by industrial and transport enterprises in the process of carrying out scientific research, technological development and the production of prototype new products, which are designated as part of the costs in Section 3 of Article 7 of the cost regulations, shall be dealt with respectively in the following ways:

1. The personnel wages required by scientific research organs and laboratories within industrial and transport enterprises, along with all the various experimental materials and management expenses, shall be counted as part of the costs. But those expenses of scientific research organs which have already been designated as part of the profits retained by enterprises should be paid out of production development funds, and should not be counted as part of the costs.
2. Those raw materials and wages used in the manufacture of new products, along with the workshop costs and enterprise management costs thus incurred, should form part of the costs of experimental new products.
3. The design costs incurred in the trial manufacture of new products decided upon by enterprises, along with the technological processing costs, the costs for readjusting equipment, the costs of raw materials, semifinished products and finished products used in experiments, and the purchasing and other costs associated with prototypes and sample machinery, shall be counted as part of the costs on a case-by-case basis. Those losses incurred in failed experiments, with the authorization of the financial department at the same level, shall be paid for outside the costs.
4. For special, nonstandard equipment manufactured on case-by-case basis by outside units, the charges for the trial manufacture should be counted totally as the costs for the product concerned.

Article 12. The staff and worker wages designated as part of the costs in Section 4 of Article 7 of the cost regulations refer to the standard wages and wage subsidies for personnel in the enterprises' production workshops and management departments (including cooks). They do not include wages for trade union cadres, kindergarten personnel and nurses, which should be paid out of trade union expenses or welfare funds for staff and workers, nor those for retired or convalescing personnel or those suffering from long-term illnesses, which should be paid out of extra-business expenses; they do not include wages for personnel involved in clearing out old fixed assets, which should be paid out of technological transformation funds, nor those wages for personnel involved in special projects.

Article 13. Those staff and worker welfare benefits listed as part of the costs in Section 4 of Article 7 of the cost regulations shall be drawn to an amount which shall be 11 percent of the sum total of gross staff and worker wages after deducting subsidies for sideline products and various other

rewards (including piecework wages, floating wages and other wages which exceed the standard wages), along with supplementary wages and wage subsidies for those in difficulty. The gross wages of enterprise staff and workers refers to the sum of the wages actually paid by the enterprise to regular workers, contracted workers, casual workers, industrial and agricultural workers authorized as taking part in the enterprise's production by the labor department at or above county level, and the various personnel hired through collectively owned hiring targets.

Article 14. Apart from those rewards designated in Section 4 of Article 7 of the cost regulations as part of the costs, other rewards, along with piecework, floating and other wages above the standard wage, and so on, in those enterprises which practice profit retention and substituting taxes for delivery of profits, should be paid out of the profits retained, and should not form part of the costs; in those enterprises which are practicing the system of contracting for profit and loss, if according to the regulations of the financial management system there is no provision for payment out of profits retained for normal work incentives, they may be paid out of the costs to the amount of 10 to 12 percent of the standard wages; and the part of the incentives which exceeds this limit shall be paid out of the enterprises' funds or the income in excess of what has been contracted for.

Article 15. The trade union outlay designated as part of the costs in Section 5 of Article 7 of the cost regulations shall be drawn at a rate of 2 percent of the enterprise's total wage figure once the subsidies for nonstaple foods, social subsidies and financial aid for those in difficulties have all been deducted. The employee education costs which form part of the costs shall be paid to within 1.5 percent of total employee wages.

Article 16. Those reject losses or shutdown losses designated as part of the costs in Section 6 of Article 7 of the cost regulations shall be dealt with as follows:

1. The recovery costs for those rejects which can be recovered when they occur during the normal operation of the enterprise, including the cost of raw materials used in the recovery process along with spare parts and wages paid, after the deduction of compensation paid by those responsible, shall form part of the costs.

2. Those reject losses which cannot be recovered shall, after deduction of compensation by those responsible, be paid as part of the costs.

3. Workers' wages paid during periods of stoppage, along with welfare benefits drawn by employees and equipment maintenance costs and management costs which may occur, shall, after deduction of compensation by those responsible for the stoppage, be paid as part of the costs. Costs for seasonal and planned stoppages shall form part of the commodity costs of the enterprise when in operation.

4. Bad-account losses refer to those losses to creditors which occur when the debtor unit rescinds it, and after the courts have ordered the said unit to

pay off, there is actually no way of pursuing the debtor, or when the debtor does and his effects are not sufficient to pay off the debt, and there are no voluntary guarantors, and so on. These bad-account losses should be paid out of costs after written proof is obtained from the competent department of the debtor enterprise, its financial organ or the courts, and after examination by the creditor company and its corresponding financial departments.

Article 17. The insurance costs, the notary public fees for deeds and contracts, visa fees, consultancy fees, special technology use fees and pollution control fees designated as part of the costs in Section 7 of Article 7 of the cost regulations shall be dealt with in the following ways:

1. Those property and transportation insurance fees paid by the enterprise shall form a part of the costs according to the actual sum paid. Preferential treatment given to the enterprise by an insurance company should be taken out of the insurance expenses.
2. The notary public fees for deeds and contracts, along with consultancy fees for science and technology and management which are paid by the enterprise in the course of its production activities, may be paid out of costs on a case-by-case basis.
3. Technology transfer fees for the introduction of advanced technology (including licenses, patenting fees, and design fees), if they are paid after investment in the technology transfer, should be paid on a case-by-case basis as part of the costs; and if they are paid before the transfer project is invested in, they should be dealt with as prepayment, and come out of the costs on a case-by-case basis after investment. Employee training fees for technology transfer may come out of the costs on a case-by-case basis; and other expenses related to the usage of the new technology should form part of the post-investment costs.
4. Pollution control expenses incurred by an enterprise in accordance with the environmental protection laws and the relevant State Council documents may be listed as part of the costs; but from 3 years after the start of business, if the enterprise continues to put out waste products in excess of the quota, any expenses or fines incurred in its doing so must be paid out of the profits retained by that enterprise, and shall not form part of its costs.

Article 18. The circulating funds and interest on loans designated as part of the costs in Section 8 of Article 7 of the cost regulations should be paid out of costs after deducting income from deposit interest from circulation funds. Any extra interest or fine demanded by the bank according to its regulations must be paid out of the profits retained by the enterprise, and shall not form part of the costs.

Article 19. The "other expenses authorized by the Finance Ministry as being part of the costs" referred to in Section 11 of Article 7 of the cost regulations designates those other expenses, such as oilfield protection costs and so on, which fall outside the categories listed in Sections 1 to 10 of Article 7, and which are designated by the Finance Ministry as being part of the costs.

Article 20. The industrial tools designated in Section 1 of Article 8 of the cost regulations as part of the costs refers to those small industrial tools which are of insufficient size to count as fixed assets, not including loading and unloading machinery and equipment.

Article 21. Management fees at the higher levels should be paid out of the costs of the subordinate enterprise based on the authorized size of management personnel and the expenditure standard stipulated, and be paid on a yearly basis. Any surplus at the end of the year should be taken out of the enterprise costs, or form part of the management expenses for the following year.

Article 22. Those expenses designated as not part of the costs in Article 13 of the cost regulations, apart from those listed above, should include:

1. a certain amount of domestic technological transfer fees based on a certain proportion of sales figures or profit;
2. funds for key construction of energy resources and communications as laid down by the law;
3. any funds voluntarily donated by the enterprise for public welfare or social activities.

Article 23. Serious accidents which occur in transport enterprises due to objective reasons, when the amount of expenditure is in excess of the various compensatory payments, and if the enterprise really has difficulty in handling the rest, may be paid out of costs after the enterprise has requested it, and the department concerned along with its corresponding financial department have given special authorization.

Article 24. For those various expenses for which there is no state law, nor any clear ruling as to who should pay them by the State Council or the provincial, autonomous regional or municipal people's governments, the enterprise has the right to refuse payment.

All the various expenses which are ruled to be paid by the enterprise, apart from those which are directly connected with production management, must always be paid out of the profits retained by enterprises.

On Cost Accounting

Article 25. Enterprises should carry out cost accounting work in accordance with the relevant cost accounting laws drawn up in a unified manner by the Finance Ministry and the supplementary regulations drawn up by the various regions and departments. The accounting process and specific methods may be decided on the basis of the enterprise's production characteristics. The various supplementary rules and regulations drawn up by the regions and departments, and the specific methods used by the enterprises themselves, have nothing to do with the unified laws of the Finance Ministry.

Article 26. The finished product output of industrial enterprises referred to in Article 17 of the cost regulations refers to the total amount of products which, within the budget period, the enterprise produces, processes and puts in its warehouses ready for sale.

All those sideline products produced by the enterprise which are sold to the outside must be counted as costs one by one; those which are not sold to the outside may be calculated as costs but not singly.

The quantity of work done by a transport enterprise refers to the amount of goods transported, loaded and unloaded, and the amount of services rendered within the budget period.

Article 27. The actual consumption referred to in Article 17 of the cost regulations refers to the actual amount of raw materials consumed by an enterprise in production, transport and services. Those materials which have been ordered but not used should at the end of the month be subject to return procedures, while those which need to be kept and used at the end of the month should be subject to "borrowing" procedures.

Article 28. Materials used in production must be calculated according to their actual cost. Enterprises which calculate on planned prices when they calculate commodity capital at the end of the month must readjust the materials cost differentials according to the regulations, with no more or less adjustment than is authorized. The rate of adjustment differential may be decided according to the various categories of material.

Article 29. Industrial enterprises should make checks periodically of their products and semifinished products. Those enterprises which keep records of the number of products, goods and materials or their approximate output should conduct seasonal checks; those which do not keep such records should conduct monthly checks. Enterprises should conduct cost accounting according to the conclusions of these checks.

Article 30. The case-by-case and periodic payments referred to in Article 18 of the cost regulations refer to those case-by-case expenses which should be calculated into the period following the payment.

Article 31. Those advance payments referred to in Article 19 of the cost regulations refer to those expenses which are counted as part of the current budget period but which are not paid until the following one. When a difference occurs between the budgeted payment and the actual payment, prompt adjustments should be made. If many such differentials occur they should be taken out of costs at the yearend. If special circumstances require that the surplus amount be retained, this should be reported in the account books and financial records.

Article 32. In line with the ruling of Article 20 of the cost regulations, low-value quickly-consumed articles should form a part of the commodity costs using the following three methods:

1. all items whose per-unit value exceeds the standard, may be calculated into the commodity cost, after authorization, according to its use period;
2. all those management tools and small-scale articles which cost less than 20 yuan may be counted as part of the commodity costs on a case-by-case basis;
3. other low-value quickly-consumed articles, when they are ordered and thrown away, may be sold at 50 percent.

In order to simplify accounting procedures, those low-value quickly-consumed articles entered as part of the costs before the promulgation of the cost regulations need not be readjusted.

Article 33. The dividing line for costs designated in Article 22 of the cost regulations means that under the prerequisite of carrying out strict cost accounting, it is not allowed to turn current period costs into the costs for the following period, or vice versa; it is not permitted to enter products into the finished product costs, or vice versa; and it is not allowed to enter comparable product costs into incomparable product costs or vice versa.

Article 34. Cost accounting data of enterprises must be complete and correct; for instance, the various things consumed during the process of production must be noted down. The original records, certificates, account books, expense sheets and statistics must be correct in every detail, faithful, and kept up to date.

Article 35. Before the end of the year, the enterprise must diligently carry out financial checks, making sure everything is perfectly clear, and calculating actual profits and losses. As to actual profits and losses in floating assets, reasons must be found, and after authorization by the relevant department, and compensation by those responsible, the costs must be readjusted.

On the Cost Management Responsibility System

Article 36. The cost and expense plan drawn up by the enterprise as described in Article 25 of the cost regulations is a composite part of the production finance plans, and its formulation and authorization process should be as follows.

1. Annual, seasonal and monthly cost plans shall be drawn up by the financial department according to production, supply and marketing conditions, the product cost reduction rate put out by the competent enterprise department for comparable products, and technological and economic data provided by various departments.

2. Following authorization by the competent enterprise department and its appropriate financial department, the annual cost plans shall become the basis for calculating how the plans shall be carried out.

3. Following authorization by the competent enterprise department, seasonal cost plans shall be carried out.

4. Monthly cost plans shall be carried out following authorization by the enterprise leaders.

5. The methods for indicating and formulating the annual cost plans shall be decided by the Finance Ministry. The methods for indicating and drawing up seasonal cost plans shall be decided by the competent enterprise authorities. Those for the monthly plans, meanwhile, shall be decided by the enterprise itself.

Article 37. The annual cost plan target for each enterprise must be sent down to all grassroots units.

All of these units must make this quota a major part of their economic responsibility systems, conduct a monthly analysis of how the cost plans are being carried out, and calculate how they have been carried out at the end of each year and season.

Article 38. Enterprises should make careful cost predictions, and provide reliable statistics and information for economic management policy decisions.

When designing new products, adopting new technology, materials and methods, raising the design quality of their products, and changing their product structure, enterprises should first draw up a design program, and organize the departments concerned to conduct the necessary technological and economic examinations and feasibility studies. Only those pieces of research which after examination by those responsible are found to show that a project is economically viable shall become bases for drawing up and authorizing plans.

Enterprises should conduct frequent examinations and research, get a grasp of market information, including resources, prices, scientific and technological development, product varieties, sales, quality, etc. Moreover they should raise their competitiveness through ascertaining the product cost goals and taking measures to lower them.

Article 39. According to the rules stipulated in Article 26 of the cost regulations, industrial enterprises may look at their specific conditions and calculate the planned cost of their total product or the cost reduction rate of their comparable products.

If an industrial enterprise's comparable products form more than 50 percent of its total products, they should calculate a comparable product cost reduction rate. If this ratio is lower than 50 percent, the cost should be planned on the basis of the total product.

Those industrial enterprises which take the latter course should mainly calculate whether the actual cost of all their products exceeds the planned total cost according to actual output calculations. If the planned cost is greater than the actual cost, the amount by which it is greater shall form the total product reduction rate. The calculation formulas are as follows:

total product cost reduction rate equals (the actual output of all the various products during the period concerned multiplied by the planned unit cost of all the various products during the said period) minus the actual cost of all products during the said period;

the planned unit cost of all the various products during the said period does not in general exceed the actual unit cost of all these products;

extra-plan products produced by the enterprise during the budget period have as their planned cost the preplanned cost for product design.

As long as the cost reduction rate calculated according to the above formula does not show a negative figure, the cost plan has been fulfilled.

Those industrial enterprises which calculate the cost reduction rate of comparable products calculate mainly whether the actual cost reduction rate of comparable products is as high as the demand made by the competent department for this cost reduction rate. The calculation formula is

$$\begin{array}{l} \text{cost reduction rate} \\ \text{for} \\ \text{comparable products} \end{array} = \left(1 - \frac{\begin{array}{l} \text{actual total cost of comparable} \\ \text{products during the period} \\ \text{concerned} \end{array}}{\begin{array}{l} \text{actual output} \quad \text{actual unit cost} \\ \text{value of all} \quad \text{of comparable} \\ \text{comparable} \quad \times \text{products during} \\ \text{products dur-} \quad \text{the last year} \\ \text{ing said period} \end{array}} \right) \times 100 \text{ percent.}$$

Article 40. Transport enterprises should calculate the per-thousand conversion of ton-kilometer cost reduction rate, while harbor enterprises should calculate the cost reduction rate per thousand ton loading and unloading. The calculation formula is as follows:

$$\begin{array}{l} \text{per-thousand conver-} \\ \text{sion ton kilometer} \\ \text{or} \\ \text{per-thousand ton} \\ \text{unloading and load-} \\ \text{ing cost reduction} \\ \text{rate} \end{array} = \left(1 - \frac{\begin{array}{l} \text{actual per-thousand conversion} \\ \text{ton k, or} \\ \text{per-thousand ton unloading and} \\ \text{loading cost during the year} \\ \text{concerned} \end{array}}{\begin{array}{l} \text{the actual per-thousand conver-} \\ \text{sion ton k, or} \\ \text{per-thousand ton unloading and} \\ \text{loading cost for the previous} \\ \text{year} \end{array}} \right) \times 100 \text{ percent.}$$

Post and telecommunications enterprises should use calculation methods drawn up by the Post and Telecommunications and Finance Ministries.

Article 41. Regions and departments may draw up supplementary quotas for calculating enterprise costs.

Article 42. In line with the stipulations of Article 27 of the cost regulations, enterprises should organize the various departments to do good basic cost management work under the leadership of the factory head (or manager), the chief accountant and the chief engineer.

1. Quota management. With regard to consumption of raw materials, fuel and tools, and the expenditure for operation time, use of equipment, consumption of materials, use of funds and other expenses, various average progress plans must be drawn up with fixed figures according to levels already reached by the enterprise, and a strict quota management system enforced. The main technological and economic quotas should be reported to the competent department for authorization. Moreover, with the development of production technology and the raising of management standards, these figures will be adjusted periodically. The formulation and adjustment of these figures shall be subject to discussion by the masses.

2. Measuring, checking and acceptance. All consumption of all goods and materials must be measured, checked and accepted; all measuring equipment, tools and instruments must be perfect and kept in good repair by specialists.

3. Taking inventories of property and assets. A property and assets inventory system must be established which periodically examines and takes an inventory of all assets and property, insuring that accounts all tally.

4. Planning prices. Large and medium enterprises must establish and perfect a price planning system within the factory, conducting unified planning of the prices of all products, semifinished products, equipment, raw materials, low-value quickly-consumed products, tools, labor and so on.

5. Original records. The quantity, quality, operation schedule, use of equipment, materials consumption, goods and materials, spare parts, transfer of products and semifinished products, the transfer of finished products in and out of warehouses, damage to property, goods and materials, and so on, should all have complete records kept of them.

Article 43. According to the stipulations of Articles 5 and 25 of the cost regulations, the factory head (or manager) has ultimate responsibility for cost management work as follows:

1. to abide by the financial and economic laws and systems, to carry out the state's policies and principles, and to struggle against all activities which damage state interests, such as embezzling state income, wastage of resources and falsification; to guarantee the accomplishment of tasks set by the state; and to take full responsibility for the economic performance of the enterprise;

2. to organize all departments concerned and grassroots units to set up a cost accounting management system at all levels; to supervise financial and accounting departments as they pass on costing and expenditure quotas to all departments and grassroots units concerned and carry out management at all levels;

3. to organize and lead departments and grassroots units to work hard to increase production and to economize, to raise quality, cut costs and carry out their costing and expenditure plans.

Article 44. In line with the stipulation of Articles 5 and 25, the cost management responsibilities of the chief accountant or the enterprise leader entrusted with accounting tasks are as follows:

1. to assist the factory head (or manager) in the organization and leadership over the cost management work of the enterprise concerned, helping them correctly to fulfill the cost plans, to correctly calculate costs and to be responsible for the enterprise's economic results;

2. to periodically examine how the cost plans are being implemented in each department and grassroots unit, to discover problems and promptly find out how to solve them;

3. to give publicity to the state principles and policies on cost management, and to strictly carry out the economic and financial regulations; to sign foreign economic contracts of enterprises; and to examine cost plans and major financial expenditures;

4. to coordinate relations between all departments and grassroots units and financial departments, and to raise the economic results of enterprises.

Article 45. In line with the stipulations of Articles 5 and 25 of the cost regulations, the chief engineer's responsibility toward cost management is to assist the factory head (manager) in the tasks of tapping the potential for renewal and transformation, renewal of equipment, raising product quality, changing product lines, adopting new materials, methods and technology, and improving labor organization, exploring possibilities for raising economic results, and achieving technological progress and rationality, and economic savings and better results; and being responsible for the economic results of all the various technological measures.

Article 46. In line with the stipulations of Articles 24 and 28 of the cost regulations, the responsibilities of the enterprise's financial and accounting departments are as follows:

1. to draw up the cost management system for the enterprise;

2. to take part in the formulation of various expenditure figures;

3. to take part in the formulation of planned prices within the factory;

4. to draw up an overall cost plan for the whole factory, and to take responsibility for publicizing it to all grassroots units;

5. to examine and assess the implementation of cost planning;

6. to organize cost accounting, and to lead the cost management and cost accounting of grassroots units;

7. to carry out cost predictions, control, supervision and analysis work.

Article 47. In line with the stipulations of Articles 24, 29 and 30 of the cost regulations, enterprises should organize the various departments to carry out periodic examination and analysis of cost plans and the various fixed quotas and how they are being fulfilled, and should fill out the various records and tables, doing the cost management tasks below and insuring the smooth implementation of the cost plans.

1. Drawing up plans for the production department responsibility system, formulating and carrying out production plans; organizing the balancing of production; raising the utilization rate of operation schedules; cutting down on losses from holdups; shortening the production cycle, cutting down on the amount of funds taken up by products in production and semifinished products; organizing grassroots units to carry out spot checks of production lines and semifinished products.

2. Planning statistics departments are responsible for organizing the various balancing tasks for the production plans over the whole factory; for carrying out promptly and correctly the drawing up of production statistics, providing the relevant data for cost management.

3. The technology departments are responsible for drawing up and examining the consumption quotas for all the various goods and materials; for properly designing products, adopting new technology and scientific measures, raising quality and quantity, and cutting down on consumption of raw and other materials, economizing on energy resources and time, and cutting down on commodity costs.

4. Quality control departments are responsible for drawing up methods for quality management, carrying out overall quality control, and strengthening product checks; for carrying out measures for raising product quality, raising the rate of superior products, and cutting down on substandard and waste product losses.

5. Goods and materials supply departments are responsible for drawing up sales plans and purchasing plans, formulating goods and materials quotas; for carrying out strict measuring tests on goods and materials, controlling consumption and carrying out periodic checks; and for rationally organizing the purchase and transportation of goods and materials, cutting down on purchases and sales costs.

6. Equipment management departments are responsible for drawing up equipment utilization figures and management systems, organizing the transportation, maintenance and repair of machinery, and plans for this; insuring the normal movement of all the various pieces of equipment; organizing equipment management, improving equipment utilization and cutting down on repair and maintenance costs.

7. Power departments are responsible for drawing up water, electricity, gas and wind consumption figures, strictly estimating them, strengthening management, and under the prerequisite of insuring the needs of production, cutting down on energy consumption.

8. Labor wages departments are responsible for drawing up labor figures and labor protection measures, improving labor organization, rationally organizing labor, improving labor conditions, achieving safe production, raising labor productivity, and cutting down on production accidents; in line with the demands of the state policies and plans, controlling expenditure on wages, welfare benefits and incentive bonuses; drawing up a plan for expenditure on labor protection and economizing on expenditure for labor protection.

9. Other departments must all raise the quality and efficiency of their work, and cut costs.

The responsibilities outlined above of the various departments may be reapportioned according to the structure of each enterprise.

Article 48. In line with the stipulations of Section 3 of Article 6, Article 16, Article 30 and Article 36, the responsibilities of the competent departments toward cost management are as follows:

1. in line with the rights stipulated in the cost regulations, to sum up the characteristics of the department concerned and on that basis to draw up supplementary regulations on the scope of expenditure;
2. to promptly give quotas on cutting costs to the enterprise, to examine the cost plan of the enterprise, and to carry out periodic checks;
3. to guide and assist the subordinate enterprises to establish and perfect a cost management system and to properly carry out foundation work for cost management;
4. to sum up and promulgate the experiences of subordinate enterprises in their cost management;
5. to organize frequent cost examination and analysis, and to gather and examine the various cost tables of subordinate enterprises;
6. to promptly deal with all actions in contravention of the cost regulations.

Article 49. In line with the stipulations of Articles 6, 16, 26 and 32 of the cost regulations, financial organs at all levels have the following responsibilities regarding cost management work:

1. in line with the stipulations of the cost regulations, to sum up the various regional conditions and on that basis to draw up supplementary regulations concerning the scope of cost expenditure;

2. to hand down to corresponding enterprise departments the yearly cost plan quotas, and to examine the annual cost plans;
3. to examine the cost books of enterprises, and to exchange experiences in cost management;
4. to supervise the enterprises in diligently carrying out financial and economic discipline, correctly carry out cost accounting, and examine and handle all violations of the cost regulations.

On Supervision and Punishment

Article 50. The enterprise chief (manager) and chief accountant are responsible for the following types of supervision over enterprise costing:

1. examination of cost plans;
2. periodic convention of cost analysis meetings, aimed at strengthening weak lines in enterprise management, adopting improvement measures and raising economic efficiency;
3. to supervise the implementation of the stipulations on cost expenditure scope and cost accounting;
4. to carry out the decisions of the financial organs in dealing with unlawful activities;
5. to examine cost tables, and send them to the higher authorities.

Article 51. In line with the stipulations of Article 31 of the cost regulations, the competent departments of enterprises shall carry out the following types of supervision over their subordinate enterprises:

1. to carry out frequent examination and supervision of the enterprises' cost management, and to encourage them to improve management and work hard to cut costs;
2. to periodically examine the reports of enterprises, and put forward opinions on them;
3. to put a swift stop to all unlawful activities, and to deal with them either alone or in cooperation with the financial departments.

Article 52. The examination and supervision by auditing, financial and taxation organs according to their own spheres of power toward enterprise cost management shall include mainly the following:

1. supervising the implementation of the cost regulations and these regulations and other cost management systems;

2. examining activities in contravention of the cost regulations, and putting forward opinions on how to handle each case;

3. to examine how these cases are being handled;

4. to examine other affairs connected with costs.

Article 53. Those enterprises which violate the cost regulations and whose violation falls within the categories listed in Article 34 of the cost regulations, apart from being dealt with according to the stipulations of the financial and taxation departments, if their action was not particularly serious, they must be ordered to correct themselves within a certain period of time; if their action was more serious, they should be ordered to pay a fine of between 20 percent and 100 percent of the amount of money embezzled from the state income. This fine shall be paid out of the profits retained by the enterprise, and shall not form part of its costs.

Article 54. For those leaders or persons directly responsible in enterprises which have contravened the cost regulations as stipulated under Sections 1, 2 and 3 of Article 34, if their actions were not serious, and their attitude is relatively good, they should be subject to criticism and education; those whose actions were more serious but whose attitude is relatively good should forfeit 1 month's wages as a fine; those whose actions were relatively serious and who clearly committed the violation on purpose should pay a fine of 3 month's wages and be dealt with by the administration.

Article 55. Those leaders and persons directly responsible in enterprises which have violated Sections 4 and 5 of Article 34 of the cost regulations should pay a fine of 3 month's wages and be dealt with by the administration.

Article 56. The "wages" referred to here and in the cost regulations mean the standard wages of each individual and do not include any subsidies or other income.

Article 57. In the case of those violations of the cost regulations stipulated in Article 34, if the actions concerned are serious, and constitute a crime, the case will be pursued and dealt with by the courts of law.

Article 58. Should the chief accountant or the person invested with the responsibilities of chief accountant in an enterprise, along with accounting personnel, fail to report or expose obvious and intentional unlawful acts, he should be punished at the same time as those directly responsible for the acts themselves.

Article 59. Enterprises and individuals which have contravened the cost regulations but not those listed in Article 34, should be criticized by the competent departments and financial organs, and shall be ordered to change their ways within a certain period of time.

Article 60. Those personnel who uphold state policies defend the cost regulation and expose those who violate them, should be rewarded by the financial organs according to the specific conditions of each case.

Appendix

Article 61. These detailed rules should be carried out at the same time as the cost regulations.

Article 62. In line with the cost regulations and detailed rules, the various regions and competent departments in industrial and transport enterprises may draw up supplementary rules and report them to the higher authorities.

Article 63. It is the responsibility of the Ministry of Finance to explain these detailed rules.

CSO: 4005/098

RULES OF CUSTOMS ADMINISTRATION, MINISTRY OF FINANCE, MINISTRY OF FOREIGN
ECONOMIC RELATIONS AND TRADE ON CONTROL, TAXING OF GOODS IMPORTED, EXPORTED
BY CHINESE-FOREIGN JOINT VENTURES (30 April 1984)

(Shu-shui-zi [5002 4451 1316] 1984 No 233)

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 11, 10 Jun 84 pp 365-367

[Text] Article 1. These rules are formulated in accordance with the "Provisional Customs Law of the PRC," the "Law on Joint Ventures With Chinese and Foreign Investment of the PRC," their stipulations and other related decrees in order to encourage foreign companies or enterprises or other economic bodies or individuals (referred to hereinafter as foreign partners) to run joint venture business (referred to hereinafter as joint ventures) with Chinese companies or enterprises or other economic bodies within Chinese territory (referred to hereinafter as Chinese partners).

Article 2. The joint ventures must register themselves with the customs offices in the area where the enterprises are located or the customs sub-offices (referred to hereinafter as the customs offices in charge) by submitting a copy or a photocopy of the permission certificates issued by the Ministry of Foreign Economic Relations and Trade of the PRC, rules and regulations of the joint venture, contracts and business licenses issued by the Industrial and Commercial Administration and Management Bureau of the PRC and its authorized organs.

Article 3. While handling import and export of goods, the joint ventures must fill out "Declaration Forms for Imports (Exports)" and submit them to customs. Permits for imported and exported goods issued in accordance with state stipulations should still be shown to customs for examination.

Article 4. Import tariff and standard industrial and commercial tax are exempted regarding the import of the following items by the joint ventures:

1. machinery, spare parts and other materials (materials needed by the joint ventures to build factories [workshops] and install or reinforce machinery, same as referred to hereinafter) supplied by the foreign partners according to the contracts;
2. machinery, spare parts and other materials purchased with the total investment capital of the joint ventures;

3. machinery, spare parts and other materials of which domestic production cannot be guaranteed and which are imported as additional capital of the joint ventures.

Article 5. While importing goods which are exempted from import tariff as listed in Article 4 above, the joint ventures must present the approved contracts concerned or certificates of examination of goods not listed in the contracts issued by the Ministry of Foreign Economic Relations and Trade and its authorized organs to the customs in charge for exemption of tariff before the goods are imported. A certificate of tariff exemption will be issued by the customs in charge after examination and the local customs offices will act accordingly on presentation of such a certificate.

Article 6. Raw materials, component parts, spare parts, supplementary materials and packaging materials (referred to hereinafter as imported materials and parts) imported by the joint ventures specifically for processing of export items are exempted from import tariff and standard industrial and commercial tax. Substandard goods and goods which cannot be exported due to various reasons and which are to be sold inside the state must be taxed in accordance with the relevant rules, and are to be dealt with according to the customs rules concerning the management of processed imports and exports and processing factories which guarantee taxation.

Article 7. Imports of materials and spare parts by joint ventures for processing of products for domestic consumption in accordance with the plans approved by the organs in charge must be taxed according to the rules when being imported.

Article 8. Export products, including those taxable products, of joint ventures are exempted from export tax, with the exception of products whose export is prohibited.

Article 9. Unless stated in these "rules," the question of tax exemption and management of imports and exports of the joint ventures is to be dealt with in accordance with the other customs regulations.

Article 10. The tariff-free imports of the joint ventures are not allowed to be indiscriminately sold or transferred. Any such violation is to be dealt with by the customs according to the provisions of the "Provisional Customs Law of the PRC."

Article 11. Unless otherwise stated, the import and export of goods of joint ventures run by Taiwanese compatriots, Hong Kong and Macao compatriots and overseas Chinese with domestic companies, enterprises and other economic organizations are to be dealt with in accordance with this rule.

Article 12. These rules will take effect as of 1 May 1984.

CSO: 4005/098

STATE COUNCIL APPROVAL OF SICHUAN PROVINCIAL PEOPLE'S GOVERNMENT REQUEST TO
ESTABLISH MABIAN YI NATIONALITY AUTONOMOUS COUNTY, EBIAN YI NATIONALITY
AUTONOMOUS COUNTY (9 April 1984)

(Guo-han-zi [0948 0428 1316] 1984 No 59)

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 11, 10 Jun 84 p 367

[Text] Your province's "Request for Establishing Mabian, and Ebian Yi Nationality Counties" dated 28 July 1983 has been received. Approval has been given for your province to:

1. Establish Mabian Yi Nationality Autonomous County and abolish Mabian County. The autonomous county will retain the administrative area of the former Mabian County. The autonomous county people's government will be situated in Chengguan town.
2. Establish Ebian Yi Nationality Autonomous County and abolish Ebian County. The autonomous county will retain the administrative area of the former Ebian County. The autonomous county people's government will be situated in Chengguan town.
3. To incorporate both Mabian Yi National Autonomous county and Ebian Yi Nationality Autonomous County into Leshan Prefecture.

CSO: 4005/098

END